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Directions for making the Town Budget are on page 12.

A model budget form is inserted in the back of this pamphlet. Additional copies of this blank budget form may be obtained from the State Tax Commission.

BUDGET MAKING

FOR

NEW HAMPSHIRE TOWNS

**Procedure for Making and Presenting
Budget Estimates of Revenues and
Expenditures in Conformity with
the Uniform System of
Town Accounts**

**RECOMMENDED BY THE
NEW HAMPSHIRE
STATE TAX COMMISSION**

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CONCORD, N. H.
1917

*The Comm'n
2/5/17*

BUDGET MAKING FOR NEW HAMPSHIRE TOWNS

The adoption of an adequate system of budget-making by New Hampshire towns, i. e., adequate provision for effectively determining and exhibiting the estimated revenue and expenditures for the ensuing year, is an essential step in the solution of their financial problem of making both ends meet without increasing taxes. It is a necessary step toward checking the increasing cost of local government. In recent years there has been a tremendous increase in the demands made upon the town treasury. In New Hampshire as in other states, citizens are demanding better schools, better fire protection, better roads and better sanitary conditions. These new demands must be met by the town which hopes to induce desirable citizens to make their homes within its borders and to draw new industries. And the practice of economy and efficiency in town government requires that they be met as far as possible without raising the tax rate.

The rapid increase in taxes during the past twelve years has been pointed out by the tax commission in its reports for 1913 and 1914.

"Taxes have increased by leaps and bounds in recent years. In 1903 the sum of all the taxes assessed by and within the state of New Hampshire was \$5,373,420.22; in 1913 it was \$8,765,039.07, an increase of \$3,391,618.95, or 63 per cent. in ten years. But these figures do not adequately represent the velocity the upward movement

has now attained. To show that it is necessary to divide the ten year period: The levy in 1908 was \$924,388.-79, or 17 per cent greater than in 1903, while that in 1913 was \$2,467,230.06, or 39 per cent greater than in 1908. By so much did the advance in the last half of said period exceed that in the first half. These figures will be the more alarming if it is remembered that while taxes already sufficiently heavy were advancing 63 per cent. the population of the state increased only about 4½ per cent, and while the one was advancing 39 per cent, the other increased only about 2¼ per cent.

The average yearly increase for the whole period was \$336,561.85. The upward trend is more plainly shown, however, by dividing, as before, the ten year period in the middle and considering the halves separately. For the first five years the average annual increase was \$184,877.76; for the last five years it was \$493,446.01. It is surely pertinent to consider how long the little state of New Hampshire, almost stationary in wealth, can sustain a tax already burdensome and increasing at the rate of practically half a million dollars a year without crippling her industries and impoverishing her people. Plainly it is a condition not calculated to attract capital from without the state or to encourage business within."

What solution have New Hampshire towns discovered for this problem? In most cases it must be said they have followed the line of least resistance and have exercised but little restraint when passing upon the annual appropriations. In its report for 1913 the tax commission pointed out that "an observation of the ordinary town meeting for more than thirty years prompts the statement that there are two causes operating against a business attitude in connection with the finances of a town.

The first is the lack of interest displayed by the voters at the time the appropriations are made. In other words, after the election of the officers a majority of the voters leave, usually including the more substantial and

conservative citizens, and the remaining and really more important business is finished in a perfunctory manner.

A second cause is the lack of definite knowledge when acting on appropriations. The printed reports of the town are usually in the hands of the voters, but they make no comprehensive study of the previous year's business and if interested at all it is in connection with certain details. When the individual has fairly definite knowledge of the effect on his own tax of the varying appropriations he will move slowly in the direction of increases."

In a paper delivered to the New Hampshire Association of Assessors in December 1915. Professor W. R. Gray ably pointed out that the present town warrant falls far short of its purpose of presenting in proper form the information necessary for intelligent action upon town appropriations. He says, "An examination of a number of warrants reveals the fact that they run to extremes of brevity or of useless detail. I have seen one warrant of six articles, only two of which related to appropriations; another contained seventy-one articles, the majority of which related to appropriations. At one extreme we find a single article touching upon the financial undertakings for the year ensuing, and it is likely to read like this: 'To raise such sums of money as may be necessary to defray town charges for the ensuing year and make appropriations of the same.' At the other extreme we may have a warrant containing articles on a mass of separate minor propositions, many of which should logically be grouped and voted upon together. In the extreme cases which I have cited it appears that the officers preparing a warrant are likely, on the one

hand, to give so little information that citizens are left to vote on faith; on the other hand, to give information in such superfluous detail that voters are reduced to helpless confusion. At neither one extreme nor the other do we find an orderly, intelligible, properly classified exhibit of projects recommended, of estimates of cost for each class of expenditure, or of the total outlay involved."

Summing up the situation, the demands upon the town treasury have been increasing with alarming rapidity; but little restraint has been exercised in making appropriations, the needs of the town are not considered as a whole; nor are they considered in relation to the available revenue. The value of one activity is not weighed against that of another. Many of the articles, calling for large expenditures, are introduced by individuals who have no comprehensive knowledge of the needs of the town. Often an unwise article proposed by a fluent speaker, is approved, while some necessary service is entirely unprovided for. It is not uncommon for the articles near the top of the warrant to receive unquestioned approval, while equally important articles, accidentally coming near the end of the warrant, are summarily dismissed. The town warrant at its best is an unsatisfactory budget. It does not give the voters the information necessary for intelligent action.

HOW SOME TOWNS ARE SOLVING THE PROBLEM

Among New Hampshire towns which are making advances toward a satisfactory solution of this problem by means of a proper budget system are the towns of Claremont and Gorham.

At the town meeting in 1915 the town of Claremont appointed a committee of nine voters, known as the "Committee on Finance," to make the town budget. In the report which this committee made to the town meeting in 1916, we find the following which is significant indication of the work which such an appropriation committee can accomplish.

"In order that the committee might intelligently perform its task it seemed wise to have complete information as to the following, covering a five year period.

1. Amount of money raised by taxes for various purposes. Amount of miscellaneous revenues received into the town treasury. Amount expended for various purposes in each of the past five years.
2. Complete list of existing indebtedness of the town and school district.
3. Amount of maturing indebtedness and amount of interest requiring to be met, each year during the next several years.

This information was obtained from town reports and from data in the selectmen's office and prepared in the form of schedules for ease of reference and has been used as a basis for the work of the committee.

A study of these schedules shows an increase in amount of money raised by taxation in four years past of about \$41,000 or of forty-two per cent.

Twenty-seven per cent increase has occurred in the past three years during which the tax rate has increased

twenty-five per cent and the valuation of taxable property only three and one-third per cent.

It is evident from the above figures that the amount of money raised has been increasing in the past three years about eight times as fast as the amount of taxable property. The committee is unanimously of the opinion that this disproportion should not be allowed to continue, and that the 1915 tax rate should not be exceeded.

The committee is also of the opinion that, with careful planning the town's running expenses and fixed charges can be met, and a reasonable margin for special expenditures and for needed public improvements can be provided without increasing the tax rate above \$1.88."

The carefully prepared report of this committee was distributed to the town voters before the annual meeting. The report contained comments on various items suggested in the warrant, the committee recommended unfavorable action on five items, and urged that action on three items be deferred until sufficient information should be gathered to make intelligent action possible. The committee also laid out a plan for distributing the payments of interest and principal of the debt evenly over the period of years it had to run. The report was adopted almost in its entirety.

The Gorham "Budget Committee" is composed of seven men, none of whom are town officials. The committee is appointed by the moderator in such manner as to give representation to all sections of the town. The committee consults with town and school district officers, who are required to furnish such information as is necessary to intelligent preparation of the budget. The committee also holds public hearings that citizens may have opportunity to present their views as to the needs of the town and the wisdom of proposed expendi-

tures. The following extract was taken from the 1916 report of the committee to the voters:

"The committee began its meetings on September 22nd, and held eleven sessions. A general notice, through the news columns of the Mountaineer, was given to the people of the town and an invitation was extended to all citizens to attend the committee's meetings for the purpose of suggesting work and improvements desirable for the next year. In deciding what appropriations to recommend the committee has been obliged to select from a great many things, that all would like to see done, but all of which cannot be done in one year's time without producing an abnormally high tax rate. Nothing will deter the home builder, the business man or the manufacturer from investing money and locating in a town so effectually as a high tax rate. It has been the policy of the committee to make the sum total of its recommendations for appropriation such that the tax rate will not exceed that of last year, and if possible reduce it somewhat. But the committee can only recommend. The power to execute and bind the town can only be exercised by the voters at the annual town meeting. Inasmuch, however, as it is the special province of the committee to carefully examine and consider the different subjects of their recommendations, voters should give due weight to this fact when the various subjects of their recommendations are considered at the annual meeting. It will be remembered that at the last annual meeting so much money was appropriated beyond the recommendations of the committee that in order to keep our tax rate down to a figure that would appear reasonable it became necessary to call a special town meeting to authorize the selectmen to hire several thousand dollars. It is to be hoped that voters will take this into consideration. As we said in our report last year, our citizens must remember that there is another year coming when some of the things can be done that cannot be done this year."

This report of appropriation estimates and the committee's comments thereon together with the selectmen's report of expenses of the preceding year were in

the hands of the voters at the time of town meeting. Profiting by the experience of the preceding year, the voters did not make appropriations in excess of those recommended by the committee. The result was that the necessary and important activities of the town were amply provided for and the tax rate was kept the same as the previous year.

WHAT A BUDGET COMMITTEE MAY ACCOMPLISH

The budget committee may profitably consider not only the question of the amounts to be raised and appropriated from taxes, but the whole financial program for the ensuing year. Among the agents of government in the town, the "Budget Committee," whether a specially appointed committee or the selectmen and other officers acting in cooperation, is in the best position to consider and present a work program for the coming year. In fact, concerning many activities it should plan for several years.

In Claremont and Gorham it is customary to elect the members of the budget committee for one year only. This to a large extent restricts the work of the committee. If the budget committee were elected for terms of three years as in Norwood, Mass. it might well undertake and carry through to completion town planning projects covering several years. For example, an effective program for highway improvement must extend over a number of years. When the citizens know that a comprehensive plan for highway and other improve-

ments is being worked out in the interest of the town as a whole, then unrelated and ill-considered proposals will cease.

The appropriation committee best serves the town when it estimates as closely as possible the available revenue and recommends its distribution among the several activities of the town in such manner as to accomplish the greatest possible good. This end can be gained only by weighing the value of activities, one against the other; by considering which should be increased and which decreased, with new activities should be undertaken and what old ones discontinued. It is only by careful and thoughtful planning that the cost of government can be kept down and new work accomplished without increases in taxes. This is work which a budget committee may accomplish.

THE BOARD OF SELECTMEN AS BUDGET COMMITTEE

In most New Hampshire towns no budget-committee exists. This need not, however, prevent the making of a proper budget. The selectmen now prepare the town warrant and if they when making up their estimates follow a procedure and plan similar to that outlined here there is no reason why every town cannot enjoy the advantages of a properly prepared budget. The work of preparing the budget would also put the selectmen in a position to appreciate more fully the necessity of keeping expenditures within their appropriations in order to make both ends meet and prevent increase in the tax rate.

HOW THE BUDGET SHOULD BE MADE

First. Immediately after the close of the fiscal year the budget committee, or selectmen in towns where such a committee does not exist, should bring together for their guidance and consideration the following information:

1. A balance sheet or statement of assets and liabilities showing the exact financial condition of the town what the town owes and what are its available resources at the close of the fiscal year.

2. A summarized statement of the financial transactions of the previous year or years, showing the revenue received during the year classified according to sources and the expenditures during the year classified according to purposes.

3. A statement of the appropriations and the estimated revenue of the previous year. This should be compared with the actual receipts and actual expenditures in order that a basis may be afforded for judging the success or failure of the previous year's financial program. If previous year's appropriations have been exceeded the reasons should be ascertained.

4. Estimates by the several town officers, selectmen, road agents, board of health, school board, setting forth the needs of the several offices and departments for the ensuing year should be prepared in cooperation with these officers showing in detail the objects of the pro-

posed expenditures. These estimates should present the entire year's work program of all departments with the estimated cost of carrying the program into effect. Increases and decreases should be explained and reasons given for proposed new work.

5. Estimates of revenue to be derived from miscellaneous sources and the amount required to be raised by taxation during the ensuing year, showing the probable effect upon the tax rate.

This information including the actual expenditures and revenues of the previous year, and the estimates for the ensuing year should be classified according to the uniform schedule formulated by the state tax commission and used as a basis for the accounting system; and should be arranged in parallel columns according to the model budget inserted in the back of this pamphlet.

Second: Public hearings for the consideration of the official estimates and the requests and opinions of private citizens should be held not later than seven days before posting of the town warrant. Ample notice should be given of such hearings. The publication of a tentative budget with the notice of the public hearings will tend to arouse the citizen interest in the proposed work of the new year. At this public hearing the requests and criticisms of private citizens of every section of the town are heard and public opinion is ascertained.

Third: The completed budget, with estimates revised as public criticism and best judgment indicate should be arranged according to the form inserted in the back of this pamphlet. New projects and material increases

or decreases of estimates should be indicated and the reasons therefore should be explained in footnotes. The effect on the tax rate should be clearly set forth. This budget should be printed and posted in public places along with, and as a supplement to, the warrant for the annual town meeting. It should be published in the newspapers when the warrant is so published and should be printed in the annual town report. Such procedure would make the budget of real value to the voter. It would be available early enough to give ample opportunity to discuss it and would be clear enough to enable him to form an intelligent judgment upon it.

MAKING THE BUDGET AN EFFECTIVE CONTROL OVER EXPENDITURES

The town in voting the budget gives to its officers specific orders to perform certain services. It limits the expenditures for each purpose to certain definite amounts. In order that the officer may know that he is properly obeying the orders of the voters he must have a simple yet adequate set of records which will show him at all times the condition of his appropriations. Otherwise he will spend money in excess of the appropriations thereby exceeding his authority, upsetting the year's program, and increasing the cost to the town. To supply this need the tax commission has outlined and recommended to the towns an accounting system which embodies the same classification found in the model budget.

If the accounts are kept according to the uniform system, at the close of the year the town report may be made up using the same classification. It will thus show to the public how fully and how well the officers have obeyed the orders given them in the budget.

The use of the uniform classification in budget, account books and town report, thus facilitates the work of the budget committee, guides the officers in carrying out the orders of the town and presents the results to the voters in clear cut manner making the budget an effective means of control over expenditures.





